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BRIEFER COMMUNICATIONS.

THE CHICAGO TRUST CONFERENCE.

The Trust Conference held in Chicago, September 13-16, 1899, under the auspices of the Civic Federation, brought together, from all the parts of the country, representative men entertaining the most opposite views with regard to trusts and other combinations of capital. As a plan to obtain a fair and clear statement of the economical doctrines which are now prevailing it was a complete success; every party was represented. States, financial organizations and universities, every important social group had some one present fully qualified to convey the views of the constituency which he represented, and was given an opportunity to express those views. It is true that not every individual member had the opportunity to state his particular shade of opinion; it would have been impossible to hear more than four hundred orators in three days; but no important economic interest was left unrepresented, and all the speakers were allowed to express their sentiments with perfect freedom.

That orators should attract more attention than professional economists was to be expected. Such is almost always the case in large assemblies, especially when the galleries are crowded with a multitude of eager listeners whose opinions may be already fixed and who are ready to applaud the speakers holding the same opinions as themselves, and uttering these opinions in forcible and impassioned oratory. But all undue manifestations of partisanship were at once rebuked by Judge William Wirt Howe, chairman of the conference. Moreover, the good-natured audience often applauded generously the brilliant expression of sentiments which were not endorsed by the majority; but which were evidently sincere on the part of the speakers, and were expressed in a vivid and felicitous manner. Both Hon. Bourke Cockran and Colonel William Jennings Bryan were received with great enthusiasm and heard with rapt attention; and often the applause came from political opponents who admired the orator and the gentleman, although greatly differing from him in political and economic tenets.

Perhaps, on account of this extreme impartiality, the result may prove unsatisfactory to many persons who had expected definite conclusions from an assembly which comprised so many men of superior ability. Both the gentlemen whom we have last mentioned would have liked to have a declaration of principles adopted by the conference; but it soon became evident that a perfect fusion was impossible. Many

delegates had been instructed by their constituencies or by the governor of the state to which they belonged, not to commit themselves to any line of policy, and, moreover, the views were so varied and so divergent that it would have been very difficult indeed to arrive at harmonious conclusions. The meetings were very instructive, and consequently of high educational value; but the conference was not a deliberative assembly, much less a legislative body, and the delegates did not feel themselves bound to pass resolutions which might possibly be considered as campaign documents, or as the first booming of cannon which heralds an approaching conflict.

The problems before the conference were outlined with great clearness and impartiality by Professor J. W. Jenks, of Cornell University. He reduced all the questions before the assembly to a few leading ones:

1. Is it true that industrial combinations and monopolies have abolished competition? Managers of the most important industrial combinations assert that they have much competition. Many students of the question have asserted that among great industrial organizations competition is fiercer than among smaller establishments, and that combinations do not abolish competition, but simply raise it to a higher plane. So long as there is no monopoly there is at least potential competition. How far can an establishment which sells only a high percentage, say 75 or 90 per cent of the total product, secure monopolistic gains?

2. Are not the combinations of capital and the combinations of labor based on the same principle, namely, the natural right of men to unite their efforts in order to obtain a legitimate end by lawful means? If the answer be affirmative then a law to restrain one class of organizations should be held to restrain the other also.

3. Is it true, as lately asserted, that "the mother of all trusts is the customs tariff law?" Many industries, however, in which great combinations exist, have no protection of their products by tariff. Besides, managers of combinations which have been formed in protected industries assert that it has been the fierceness of home competition that has driven them into combination, and that, if the tariff has been in any sense the cause of the competition, it has been such only by developing the home industry to such an extent that fierce competition was unavoidable.

Other combinations of great power have been formed in industries protected by patents. Would it be practicable for us to so amend our patent laws as to remove from them the element of monopoly, while still securing to the inventor, by royalty or otherwise, a suitable reward for his inventive skill?

It has been frequently asserted that the success of many of the leading combinations of capital has been due to the reduced rates granted by the railroads; but to what extent and to whom do the railroads grant discriminating rates? And what further remedy can be found for such discriminations beyond that which now exists under the interstate commerce laws? Here evident difficulties confront the student of interstate legislation. First, It would be unjust to prevent the railroads from discriminating between short hauls and long hauls, because short hauls often require the same expense on the part of the carrier as long ones, and hence the companies seem justified in charging *relatively* more for short hauls than for long ones. Next, one of the chief items of expense in railroad transportation is the handling of the freight; hence, other things being equal, it is fair to charge more for freight that requires several handlings than for freight that remains in the same cars from the place of shipment to the terminus where it is delivered. Thirdly, When large amounts of freight are shipped at the same time economies are made which would become impossible if the same weight or volume were divided into several lots handed over to the company at different times: as a consequence, the price of transportation cannot be the same in both cases. There are several other causes which may increase or diminish the expense of the public carrier. Therefore, if an equitable law should be framed to enforce perfect equality among the patrons of the road, it must amount to this: that the same price must be charged to all for equal distances under precisely the same economic conditions.

4. Managers of great capitalistic organizations usually assert that they have been driven to combine through the fierceness of competition; that capital is really on the defensive; that it is only through the power that comes through a large aggregation of capital that a fair profit is possible and that we are able to meet foreign competition in foreign trade. How far are these assertions true?

5. Over-capitalization suggests other problems. Most of the newer combinations have issued large amounts of stock, common and preferred, as well as of bonds. How much of this capital is represented in plant at a fair valuation? How much is "water?" Should a fair valuation be based on the cost of the plant or on its earning capacity? If the earning capacity be largely due to the genius of one man, should we put into permanent securities a value depending on the power of one short-lived individual? Again, a street railway or a gas plant which costs \$500,000, and whose franchise may have cost little or nothing, may pay good profits on one or two millions. Is it in the public interest that a public franchise be thus capitalized? Would

publicity adequately protect the investor? Are the interests of the stockholders and the interests of the consumers the same under present industrial conditions?

6. The sixth question refers to the effects of combination on prices, on wages. Does combination eliminate middlemen, and if it does is there any sufficient compensation for their losses? Will it be possible in a comparatively short time for the persons who are thus ruined, as well as for the laborers driven out of employment by the combination, to secure employment elsewhere through the added demand that may come merely from the saving of cost and of labor?

7. If the state needs to interfere in this modern industrial movement, what form of legislation is wisest? Should it be destructive, and attempt to prevent combination, or should it be regulative, permitting combination freely, but attempting to control it so that evils to the public may be avoided? How far will legislation prove effective either to regulate or to destroy? How far must such legislation be national; how far must it be left to the several states?

The professor concludes as follows: "There are other problems suggested by the industrial combination. I have mentioned the most important ones to which my attention has been called. It is hoped that wise and conservative, though bold, action may in no long time solve some of them."

Professor J. W. Jenks had outlined the problems before the conference so clearly and so concisely that we have found further condensation almost impossible. It would be impossible to examine in detail the answers which other speakers gave to the problems proposed by the Cornell professor. We hope that the knotty problems so clearly stated will be taken up *seriatim* by experts, and solved so far as the present state of economic knowledge can afford the necessary data to arrive at satisfactory conclusions. In the meantime all we can do is to give briefly the principal arguments advanced either for or against the trust.

But what is a trust? Let us not be terrified by the mere word "*trust*," much less by the assertion that it is an *octopus*, a *hydra-headed monster*. Such are the terrifying and incomprehensible noises of which the Hon. Bourke Cochran justly complained in his final remarks. Some say that trusts have long ceased to exist, others that trusts are more grasping than ever. If the monster has survived the anti-trust laws, let us stare it in the face and describe it as accurately as possible. When well known it may lose its power to frighten people. In a recent work we find the following definition: "*Trusts* are combinations by which the property of several companies, individual manufacturers or retail dealers is deeded to one or several *trustees* who

need not be the owners of any part of the property thus intrusted to them. The members of the association receive in exchange stock or certificates which warrant to them a *pro rata* share in the profits of the combination."

Thus described the monster is not very terrifying, but it has some ugly features, and a questionable shape. The legal owner of the property is different from the real one; he can increase or diminish the production at will, open or close stores just as suits the interest of the corporation, get rid of competitors by underselling them, for local losses are to him of little consequence. These extensive powers lead to abuses and monopolies in restraint of trade, and make those who were before independent tradesmen the humble servants of the corporation. It may be objected that partnerships and other combinations of capital may lead to similar abuses of corporate wealth. This is true; but in the absence of fictitious ownership, these abuses are more quickly discovered and more easily suppressed. What then is monopoly? It is such a use of capital or of privilege that competitors are driven from the field, and that the person or persons who hold monopolistic powers can drive all other competitors from the field and remain practically the only manufacturers or the only merchants. We do not pretend that these definitions are perfect; but they will serve to prevent confusion in the use of words. Throughout the conference it seemed to us that the words *Trust*, *Monopoly*, *Combination*, were used somewhat loosely, and we would avoid equivocation by a clear statement of the meaning which we attach to these words.

We cannot suppose for a moment that anyone could be so blind as to condemn all combinations of capital, and all labor organizations. Such wholesale condemnation of aggregate wealth or of combined energy would evidently be both unjust and absurd. Hence, when speakers seem to condemn all possible trusts, we will assume that they wish to denounce the possible or real abuses of the power which is conferred by the condensation of capital; and when others complain of the breaches of valid contracts, or of the undue exactions of some societies of workingmen, we take it for granted that they do not mean to object to labor organizations, but to the possible abuse of the corporate energy of combined labor. Whenever men, either individually or as members of a corporation, wield a tremendous power, they are liable to make an unjust or unwise use of it. What is wanted is not *Destruction*, but *Regulation*, and regulation must be carried on at the least expense of individual freedom compatible with social order. With this understanding we shall try to examine some arguments in favor of the trusts, or rather of corporations which use large amounts of capital, and some of the accusations which are urged against them

by those who fear or denounce the abuses to which the control of vast amounts of capital leads or is supposed to lead.

In the conference held at Chicago, one of the ablest, if not the ablest, defender of trusts was Professor George Gunton, president of the Gunton Institute, New York. He took up the issue fairly and squarely, utterly regardless of some tokens of disfavor which came from the galleries, but which were soon checked by the chairman, and gave way to a respectful and even sympathetic hearing, when the fearlessness and cool reasoning of the speaker began to be realized by the anti-trust sympathizers. His arguments were in part as follows:

"The trust question is only a new phase of an old problem, the problem of free industrial enterprise. . . . Every improvement since Wyatt's spinning frame and Hargreaves' spinning jenny has had to fight its way against the popular prejudices of the time. The handloom weavers marched throughout England and broke the power looms. Hargreaves, Arkwright and Crompton were driven from their homes for inventing new methods of spinning."

After drawing attention to the similarity of the arguments employed by those who, in the past, objected to the introduction of new and improved machinery, and of the objections urged now against trusts by those who would suppress all the combinations of capital, Professor Gunton regrets that the agitation should have assumed a political form. "Men of national reputation are asking the people to reverse the policy of industrial freedom and return to the doctrine of arbitrary paternalism; specifically, to suppress large corporations. Are the American people ready for such a step? There is only one point of view from which this subject can be considered properly—the interest of the 'public.'" Probably, *the public* here means the citizens taken distributively; while *the people* would mean the same citizens in their corporate capacity. It would seem at first sight that, the units being substantially both in *the public* and in *the community*, the interest of the public and the interest of the community are absolutely identical; yet, upon close examination, it may appear that social interest and the interests of social units are sometimes at variance, or, at least, appear to be at variance. Here the professor expresses in the clearest and most felicitous manner the nature and genesis of a *trust*. If all writers and speakers were equally careful in defining the meanings of the words which they use, a great deal of useless declamation might be spared and well spared. The law of *group evolution* which he clearly states is most important, although, perhaps, not universal. Here we beg leave to introduce a long quotation which seems essential to do justice to the theory of Professor Gunton.

"It must be remembered, first of all, that the trust, be it good or

bad, is only one among a large number of experiments in industrial organization, which the progress of the last fifty years has evolved. One of the marked features of the economical development of the century is the radical change that has taken place in the character of competing units. Under the primitive hand labor method the competing unit was the individual. With the development of factory methods as a competing unit the individual was superseded by partnerships, because they could more economically employ the new methods. With the growth of inventions partnerships were superseded by corporations. With the growing completeness of machinery and the magnitude of business, corporations grew larger and larger, until the corporation is now the prevailing form in the most advanced countries.

"Nor is this limited to the capitalistic side of industry. It is equally characteristic of the labor side. The competing unit in the labor market is no longer the individual laborer, but the group, the union. The factory system has made it impossible for the individual laborers to be competitors, because it is impossible for them to make individual contracts. In all matters pertaining to wages, hours of labor, conditions of work, whether by piece or by day, it is the group and not the individual that is considered. Each factory, and, in most instances, each industry, pays uniform wages, works the same hours, and has substantially the same conditions, and when they are altered for one they are altered for all. In short, the progress during the nineteenth century has irrevocably established the group as the competing unit; the union as the unit on the labor side, the corporation as the unit on the capital side.

"Now, the trust was one of the experiments in the evolution of this group unit. Numerous forms of organization and association were tried. Corners, associations to fix prices, were tried, but these were uneconomic and failed, usually wrecking somebody in the collapse. The trust was another form. The trust differed from these in that it was an attempt to integrate productive forces. Corners and trade associations were mere manipulators of prices, not producers. Trusts were *bona fide* producers.

"The difference between the trusts and the ordinary corporations was not economic, but legal. The trusts are a formal merging of a number of corporations or firms under one management, which holds the property in trust for its original owners, giving certificates for their respective claims. There have been very few *bona fide* trusts; the Standard Oil trust, the sugar trust and a few others. But through the intense popular opposition, resulting in adverse legislation, these have all disappeared. They have been disbanded and

converted into simple corporations, with capital stock owned by whomsoever chooses to invest, and governed by the majority vote of the stockholders. So that, if there was anything peculiar or alarming in trusts, the evil has disappeared, because the trust is gone.

"In reality, then, what we have are simply corporations. The whole question which this conference is called to consider then is; what is the influence of large corporations upon public welfare?"

The professor proves conclusively that our industrial expansion has kept pace with the development of corporate production. He takes his data and figures from the senate report on wholesale prices and wages, and they are, in the main, unassailable. A philosopher might possibly object that the growth of public wealth and the growth of corporations are parallel expansions which may not bear to each other the relation of cause and effect, and that, admitting that the growth of corporate industry is the cause of the immense expansion of wealth, it is not proven to be the only cause, but nobody can avoid being deeply impressed by this constant parallelism which the figures clearly establish. The impression is confirmed when we reverse the process and find that, where large capitals are wanted and corporate industry does not prevail, improvements are slow and prices remain high. Professor Gunton does not hesitate to hold up as examples of corporate success the companies that have been most abused by anti-trust speakers, like the Carnegie Iron and Steel Company, the American Sugar Refining Company, the Standard Oil Company, which is probably the most severely censured. He speaks as follows:

"That company furnishes an unlimited cash market for every barrel of petroleum that it produces in this country. Moreover, it gives employment to 35,000 American laborers, pays \$100,000 a day in wages, and exports, in competition with Russia, into Europe and Asia nearly 1,000,000,000 gallons of oil a year, bringing about \$60,000,000 in gold into the country. Here is an industry, all told, which furnishes employment directly or indirectly to about 45,000 American laborers, paying about \$125,000 a day in wages, bringing a balance of \$60,000,000 of gold a year into the country, all of which would be lost to the country but for the economic energy and superiority of the Standard Oil Company. The small refineries outside of the Standard could not hold their own a month in competition with the Russians. In short, it has preserved the industry to this country, and at the same time improved the quality of the people's light and reduced its price 75 per cent; and all this without government aid, purely as a highly developed productive enterprise conducted against the government-aided capital of Russia."

We cannot, within the limits of a review article, follow the speaker

through the other phases of his subject. His able paper is probably being printed while we are writing these lines, and when given to the public it should be read by all those who wish to know what can be said in favor of corporations.

Professor Kinley, of the University of Illinois, presented a report in which is produced another class of economic facts carefully gathered by the Civic Federation of Chicago, which throw a somewhat different light upon the evolution of combined capital. We give in full the most important part of the report, because it does not bear condensation:

"Questions were sent to wholesale dealers, commercial travelers, railroads, combinations, labor organizations, contractors and manufacturers, economists, financiers, public men, etc.

"According to these replies the following articles cannot be bought outside of trusts: anthracite coal, bagging, grass goods, cigarettes, copper (rolled), coffee, glass, iron and steel (certain iron and steel products such as chains, nails and shovels, pipe, etc.), glucose, kerosene oil, liquors (domestic distilled, except some Kentucky whisky), matches (certain makes), raisins, roofing (felt and slate), powder and ammunition, stoves, sardines, starch, snuff, solder, scythe snaths, tin plate, tinware, tobacco (certain brands as Battle-Ax, Horse Shoe, Duke's Mixture and Durham), white lead, white pine lumber, woodenware and yeast cakes.

"In answer to the question what effect combinations have on the distributor, one hundred and ten say it is injurious because it decreases their business and profits and tends to eliminate them, and forty-nine wholesale dealers think they have been benefited by the formation of combinations.

"In answer to the question what effect combinations have on the consumer, one hundred and five think consumers are injured, while only twenty-four think they are benefited, and forty-one think there is no difference.

"The items of information about prices aggregate five hundred and six. Four hundred and fifty-two were to the effect that prices rose after combinations were made, twenty-four that they fell, fifteen that there was no change, and fifteen that they were fluctuating, two hundred and ten do not specifically assign a cause, one hundred and eighty-nine assign trusts as the cause of the change (increase in most of these cases), and forty assign other causes, usually 'increased demand,' 'rise of raw materials,' or the tariff."

The facts supplied to us by Professor Kinley must lead us to believe that trusts, after all, are not quite as innocent and harmless as their defenders represent them.

The history of the tin-plate industry as traced by Mr. Byron W. Holt, is certainly edifying reading. The fact is that man is naturally ambitious and greedy, and that when he has the power of fleecing his fellow men, he often yields to the temptation, and, if law does not interfere, he succeeds in accomplishing his purpose.

But, so far, we have consulted economists only. Let us see whether we can add to our knowledge by appealing to orators. With oratory as such this review is not directly concerned; but any new information which orators may impart is no less valuable because conveyed to us in eloquent periods. The conference possessed among its members a large number of very fine speakers; but the interest centred on two men, Hon. William Bourke Cockran and Colonel W. Jennings Bryan. Let us abstract from their eloquence and try to derive some new information from their memorable contest.

In the conference both orators evinced extraordinary powers, both could by turns descend to homely illustrations and rise to the highest flights of oratory, both could be so plausible that the hearers lost sight of objections while under the spell of their eloquence. But where did they agree? Where did they disagree? What remedies for the existing evils were proposed by either of them? These are the questions which are most interesting to the student of practical sociology.

Both orators agreed upon some points. Both agreed that combinations of capital could be highly useful; but could also do much harm; but, while the New York orator held that the mischief was merely accidental, and due only to mismanagement, Colonel Bryan asserted that the evils complained of were the natural outgrowth of large accumulations of capital, whenever such accumulations were not sufficiently controlled by law.

Both admitted that publicity was indispensable to prevent or check abuses; but, while Mr. Cockran thought that publicity was sufficient without the addition of troublesome legal enactments, Mr. Bryan thought that the strong arm of the law was necessary to keep within the bounds of justice the tremendous power of the trusts. In fact, he thought that the combined force of the national and state law must be invoked.

In order to show the necessity of resorting to a mighty power in order to withstand the corporate strength of accumulated capital, he drew a striking parallel between the God-made man, *i. e.*, the individual, and the man-made man, or the corporation. (1) "The former is weak and nearly on a par with his fellowmen, the latter is a giant which can grow in strength and wealth beyond calculation." (2) "When God made man He placed a limit to his existence, so that, if he were a bad man, he could not do harm long; but when we made

our man-made man we raised the limit on his age." (3) "When God made man He breathed into him a soul and warned him that in the next world he would be held accountable for the deeds done in the flesh; but when we made our man-made man we did not give him a soul, and if he can avoid punishment in this world he need not worry about a hereafter."

Both admit that privileges granted by the government for special rates or rebates granted to some individuals or corporations, place other shippers at a disadvantage, and violate justice; but Mr. Cockran treats it as a hypothetical case, which rests on often repeated assertions which the orator is unwilling to accept. Mr. Bryan accepts them as facts.

Over-capitalization seems unimportant to Mr. Cockran as long as the accounts are open to every stockholder. Mr. Bryan objects to it even when publicity is granted, on the ground that the evident result is to make the public pay for "water." It might be added that if interest is paid on such watered stock, and some of the stock is given without the capital being paid in, the bona fide stockholders who have contributed the money pay interest on the "water" which is dealt out to their neighbors. Mr. Cockran says very truly: "If an ordinary industry capitalizes for \$5,000,000, knowing that it could not pay dividends upon \$1,000,000, and then, without any positive falsehood, deceives by what is commonly called finance "scenery," so as to induce the public to buy a fictitious value, I call that a swindle." Here both speakers completely agree. Mr. Cockran is justly severe on mismanagement when he says: "But the management of corporations has been the blackest page in all our history." Both agree also in condemning monopoly; but Mr. Cockran says truly that he does not understand what is meant by a "partial monopoly." "A partial monopoly is very much to me *like a partial whole*." Yet this phrase, like the Hibernicisms of Sir Boyle Roche, has a truth concealed under its obscurity. A company which absorbs seventy-five per cent of the business is able to control the prices and the wages, and can drive out of the market any small corporations and every retail dealer who does not accept its dictates.

Both desire to encourage competition. To the objection that corporations crush it, Mr. Cockran replies that the corporation itself is the *result* of competition. Perhaps it might be added that it is not only the result, but the end of it, just as the reaching of the terminus is the end of the motion towards it.

This is not the place to treat the question of strikes, although it occupies an important place in the discourse of the great New York orator. It could not be dismissed in a few words, and we have

already overtaxed the patience of our readers. We must conclude these remarks by mentioning the remedies advocated by the two great antagonists, and let those who have followed us so far judge for themselves of their relative merits. We have said enough to show the importance of the topics which were treated in the conference, and to prompt the readers to go through the complete official report which will soon be published, if it has not already been given to the public.

REMEDIES SUGGESTED BY HON. BOURKE COCKRAN.—“My friends, these are my suggestions: Publicity for corporate mismanagement, prohibition under penalty for special favors, right of action against any corporation whose service is suspended, except an absolute defence proved that it was at all times ready to discuss with its employes questions at issue between them.”

REMEDIES SUGGESTED BY COL. W. J. BRYAN.—“I believe that we ought to have remedies in both state and nation, and that they should be concurrent remedies. In the first place every state has or should have the right to create any private corporation, which, in the judgment of the people of the state, is conducive to the welfare of the people of that state. I believe we can safely trust to the people of a state the settlement of a question which concerns them. If they create a corporation, and it becomes destructive of their best interests, they can destroy that corporation, and we can trust them both to create and to annihilate if conditions make annihilations necessary. In the second place the state has, or should have, the right to prohibit any foreign corporation from doing business in the state, and it ought to have or has the right to impose such restrictions and limitations as the people of the state may think necessary for foreign corporations doing business in the state. In other words the people of the state not only should have a right to create the corporations they want; but they should be able to protect themselves from any outside corporation.

“But I do not think this is sufficient. I believe in addition to a state remedy, there should be a federal remedy, and I believe Congress has, or should have, the power to place restrictions and limitations, even to the point of prohibition, upon any corporation organized in one state that wants to do business outside of the state. I say that Congress has, or should have, power to place upon that corporation such limitations and restrictions, even to the point of prohibition, as may to Congress seem necessary for the protection of public good.”

R. I. HOLAND.

Georgetown.